

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

Southern Star Central Gas Pipeline, Inc.

Docket No. RP07-96-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS,  
SUBJECT TO REFUND, AND ESTABLISHING A TECHNICAL CONFERENCE

(Issued December 29, 2006)

1. On December 1, 2006, Southern Star Central Gas Pipeline, Inc. (Southern Star) filed Sixth Revised Sheet No. 12 to its FERC Gas Tariff, Original Volume No. 1 and supporting work papers to reflect annual adjustments to its Fuel Reimbursement Percentages (FRPs) as required by section 13 of its Tariff General Terms and Conditions. Southern Star requests that the proposed tariff sheet implementing its revised FRPs become effective January 1, 2007. For the reasons discussed below, the Commission will accept and suspend Southern Star's revised tariff sheet and make it effective January 1, 2007, subject to refund, and to the outcome of the technical conference established below.

**Background**

2. Section 13 requires shippers to reimburse Southern Star for fuel and losses in kind. The section requires Southern Star to file annually to revise its fuel and loss reimbursement percentages, effective January 1 of each year, based on actual fuel and losses for the twelve month period which ended September 30 of the previous year, adjusted for any over or under recovery during the same period. The specific calculations of Southern Star's production area, market area, and storage injection FRPs under section 13 result from a settlement of a transmission and storage fuel and loss investigation in Docket Nos. RP03-135-000 and RP04-93-000. *See Southern Star Central Gas Pipeline, LLC*, 109 FERC ¶ 61,378 (2004).

**Details of Filing**

3. Southern Star makes the instant filing pursuant to section 13 to adjust its FRPs to reflect changes in fuel usage and lost and unaccounted for gas (L&U) during the most

recent twelve months ending September 30, 2006. Southern Star proposes to adjust its FRPs as follows:

- (1) 0.68 percent decrease in the Production Area FRP from 1.86 percent to 1.18 percent;
- (2) 0.20 percent decrease in the Market Area FRP from 0.71 percent to 0.51 percent; and
- (3) 3.21 percent increase in the Storage Injection FRP from 3.08 percent to 6.29 percent.

4. Southern Star states that the combination of an increase in the actual storage fuel and a small underrecovery of storage fuel during the most recent twelve months, along with a decrease of 2.6 Bcf in the three-year average of actual customer storage injections, resulted in an increase in the fuel component of the storage FRP of 0.23 percent. Likewise, the combination of an increase in the three-year average of storage losses of .6 Bcf and the 2.6 Bcf decreases in the three-year average of actual customer storage injections resulted in an increase in the storage loss percentage of 1.65 percent. Additionally, the cumulative under-collection of storage losses exceeded the 500,000 Dth tolerance band (established in the RP03-135 settlement noted above) by 589,178 Dth, resulting in an increase in the storage loss surcharge of 1.33 percent. Southern Star claims that the cumulative storage losses exceeded the 500,000 Dth tolerance band primarily because in its previous filings in Docket Nos. RP05-103 and RP06-129, the actual losses exceeded the three-year averages and thereby fully used the 500,000 Dth tolerance band.

5. Southern Star's filing includes the additional information related to its storage losses that the parties requested in its 2005 FRP proceeding. Specifically, Appendix D includes Southern Star's storage losses by field since 2000, the spring and fall shut-in tests and the shut-in test results for the last three years, and the total injections, withdrawals and inventory balances for the last three years.

### **Interventions and Protests**

6. Public notice of the filing issued December 5, 2006. Interventions and protests were due December 13, 2005, as provided in section 154.210 of the Commission's regulations. 18 C.F.R. § 385.210 (2006). Kansas Gas Service, A Division of ONEOK, Inc.; Missouri Gas Energy, A Division of Southern Union Company, Atmos Energy Corporation; and Aquila, Inc. filed motions to intervene. The Kansas Corporation Commission (KCC) filed a protest and requests a technical conference to explore the unusual level of Southern Star's storage L&U. The Missouri Public Service Commission (MoPSC) filed a late protest and also requests a technical conference.

7. Pursuant to Rule 214, all timely filed motions to intervene and any motions to intervene out-of-time filed before the date of issuance of this order are granted. 18 C.F.R. § 385.214 (2006). Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. Southern Star filed an answer to the protests stating that its tariff filing is consistent with its current regulatory obligations and a technical conference would impose an unnecessary burden on both it and the Commission.

### **Discussion of Protests**

8. Both of the protesting parties request suspension of the proposed FRPs, and specifically request a technical conference to examine the continued high level of storage losses. The KCC requests that the Commission permit the parties to examine the underlying causes for Southern Star's 70 percent increase in its storage L&U for 2006, and requests that the Commission "disallow, as unjust and unreasonable, any increase in the storage L&U component, other than the surcharge adjustment." The KCC asserts that the storage L&U will remain high on Southern Star's system and continue to be a problem in the annual FL&U filings due to gas migration out of the storage zone and into the Squirrel Formation, some of which is then lost by venting into the atmosphere from oil wells in the Squirrel Formation or by relief valves in the recycle system.

9. MoPSC likewise claims that Southern Star failed to explain and justify its significant storage losses for the twelve months ending September 30, 2006. MoPSC argues that Southern Star's identification of losses of 2.1 Bcf in 2006 following two years of above-average losses (1.45 Bcf and 1.17 Bcf) requires further investigation. In particular, MoPSC notes the level of losses reported for the McLouth storage field. MoPSC states that Southern Star calculates a loss of 554,936 Dth in 2006, which amounts to roughly 25 percent of the working gas in the storage field. MoPSC claims that this follows "significant losses" calculated for McLouth in 2004 at 369,123 Dth and 2005 at 208,801 Dth. MoPSC suggests that such ongoing losses at these levels for a relatively small storage field suggest that the field is experiencing significant actual physical losses, or that Southern Star needs to revise the loss calculations. MoPSC questions Southern Star's statement that it does not consider the current storage losses unusual or abnormally high.

10. Similar to the KCC, MoPSC requests that the Commission suspend Southern Star's proposed storage rate increase for a full five (5) months and that when the suspension period expires, the increase should become effective subject to refund and the outcome of an investigation of Southern Star's claimed storage losses. MoPSC further requests the Commission establish technical conference procedures that obligate Southern Star to respond to interested parties' discovery and allow parties to submit comments and conclusions to the Commission concerning the subject storage losses. In the event substantive concerns remain unresolved at the conclusion of the technical

conference process, MoPCS requests that the Commission establish procedures for a formal evidentiary hearing.

11. In its answer, Southern Star asserts that its storage losses are no different than those at issue in prior proceedings and that the instant filing is based on the same analytical techniques and data that were previously used in its December 2004 settlement on the same issue. It further asserts that it complied with complex state regulatory requirements governing the monitoring and evaluation of its storage field. Southern Star further asserts that the protesting parties provided no details that would warrant a technical conference and that it gave all credits necessary to protect consumers. However, the matters disputed are ones that cannot be resolved simply on the basis of the pleadings. Given the continued dispute over Southern Star's reported storage losses for the past three years, the Commission finds that the issues may be more efficiently resolved in a technical conference. Accordingly, the Commission will accept the proposed tariff sheet for filing, suspend its effectiveness for the period set forth below, and permit it to become effective subject to refund, and subject to the outcome of a technical conference at which the parties may raise their concerns and obtain further information that may assist the Commission in the disposition of the contested matters in this proceeding.

### **Suspension**

12. The Commission's general policy is to suspend rate filings for the maximum period permitted by statute if preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards. *See Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). It is also recognized however, that shorter suspensions may be warranted under circumstances in which suspension for the maximum period may lead to harsh and inequitable results. *See Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension). Such circumstances exist here where the pipeline is filing pursuant to a Commission approved tracker mechanism. Accordingly, the Commission will exercise its discretion to suspend the effectiveness of the proposed tariff sheet for a shorter period and permit the revised FRPs to take effect on January 1, 2007, subject to refund and the outcome of the technical conference established above. The Commission Staff is directed to report the outcome of the technical conference within 120 days of the date this order issues.

### **The Commission orders:**

(A) Southern Star's December 1, 2006 filing of Sixth Revised Sheet No. 12 is accepted and suspended, to become effective January 1, 2007, subject to refund and the outcome of the technical conference established by this order.

(B) The Commission Staff is directed to report the outcome of the technical conference within 120 days of the date this order issues.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.